



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition
Date Referred: 15/02/2019

Proposal No: Y037
Date Published: 18/03/2019

Proposal Title: NSW Leads in Paediatric Operations

Cluster: Health

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	3,394	10,502	10,831	24,727
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	2,016	6,144	6,242	14,402
Net Operating Balance:	-	(1,379)	(4,358)	(4,588)	(10,325)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(1,379)	(4,358)	(4,588)	(10,325)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(1,379)	(4,358)	(4,588)	(10,325)
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Notes and costing assumptions

This policy proposes to reduce paediatric surgery waiting times by allocating funding to perform 8,000 additional surgeries over four years from 1 July 2019.

The net total cost of this proposal (excluding the cost of additional nurses associated with this policy) is estimated to be \$10.3 million over the forward estimates, with a further \$4.8 million in 2022-23.

Additional Nurses

Based on advice from NSW Treasury, the policy assumes that an additional 8.2 full-time equivalent (FTE) paediatric nurses in 2019-20, increasing to 24.6 FTE paediatric nurses per annum over the remaining three years, will be employed as part of the activity based funding.

The total estimated cost of these nurses is \$9.2 million over four years. However, the funding for these extra nurses is excluded from this costing, as it will be delivered under a separate *5,000 Nurses and Midwives* policy.

Further costing detail is overleaf.

Notes and costing assumptions continued:

Implementation assumptions

NSW Health provides Local Health Districts (LHDs) and Specialist Health Networks (SHNs) with resources to undertake elective surgery based on the Activity Based Funding Model. This model effectively pays a standard amount for each surgery, but also takes into account individual patient complexity. Furthermore, the implementation of additional activity is decided within a local context and based on unique LHD/SHN opportunities, physical capacity and workforce considerations.

This policy proposes to use the private health system to deliver 4,000 of the 8,000 additional surgeries. The PBO notes advice from NSW Treasury that, where public patients are outsourced to the private system, the surgery activity is still eligible for Commonwealth funding.

Surgical procedure assumptions

In order to reduce paediatric surgery waiting times, the policy assumes that an additional 8,000 surgeries must occur. The policy assumes that delivery of the surgeries is to be split up using the following profile (split 50:50 between public and private service delivery):

Y1 of policy - 10% of total | Y2 - 30% | Y3 - 30% | Y4 - 30%

The standard cost of surgeries is measured in National Weighted Activity Units (NWAU). An NWAU is a measure of health service activity expressed as a common unit, against which the national efficient price is paid. A lower NWAU reflects a simpler and less expensive procedure, while a higher NWAU indicates more intensive and expensive procedures. The average NWAU assumed for the surgeries under this policy is 1.1 NWAU: reflective of a mix of surgeries of varying complexity and cost.

Each NWAU has a State price of \$4,713 as of 2018-19, and has been escalated by three per cent per annum over the forward estimates.

The increase in surgeries also attracts additional Commonwealth funding which partially offsets the total cost of the policy to the NSW Government (see Table A1 below). The Commonwealth funds 45% of additional activity. This funding is calculated based on the 2018-19 National Efficient Price of \$5,010 per NWAU, escalated by 1.6% per annum.

Table A1 - Total policy cost offset by Commonwealth funding

	2019-20	2020-21	2021-22	2022-23
Total cost of policy	4,272	13,200	13,596	14,004
Commonwealth funding contribution	2,016	6,144	6,242	6,342
Sub-total	(2,256)	(7,056)	(7,354)	(7,662)
<i>Excluding Nurses</i>	<i>877</i>	<i>2,698</i>	<i>2,765</i>	<i>2,835</i>
Net Position	(1,379)	(4,358)	(4,588)	(4,827)